Amendment to Policy on VRS

143. SHRI SUKHDEV SINGH LIBRA: Will the Minister of FINANCE be pleased to state:

(a) Whether Government propose to amend Banking Laws to allow privatisation of public sector Banks and policy on Voluntary Retirement Scheme in these Banks; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) The Committee on Financial Sector Reforms (Narasimham Committee) had observed that the Indian banks, by and large, are not sufficiently capitalised and further capital enhancement, would be necessary for the larger Indian banks and especially those which wish to have an international presence. The Committee has therefore observed that with the competing demands on the budget for investment in areas like infrastructure and social services, Government cannot continue to indefinitely provide capital to public sector banks. The Committee has further suggested that the public sector banks should be encouraged to #raise capital from the market and minimum shareholding by the Government and the Reserve Bank of India in the equity of nationalised banks and the State Bank of India should be brought down to 33 per cent respectively. The recommendations of the Committee are under examination.

As regards the policy on voluntary retirement scheme in public sector bank, Regulation 29 of the Bank (Employees) Pension Regulations, 1995 provides for grant of pensionary benefits to those who voluntarily retire from banks' service on or after 21st November, 1993 after completing.20 years of service. While Government has not framed a new Voluntary Retirement Scheme, views of the chief , executives of public sector banks have been sought on the desirability of introducing a Voluntary Retirement Scheme, similar to the one in operation in public sector undertakings, with or without modifications, for bringing about desired rationalisation of work force, in the interest of viability and profitability of the banks in the changing scenario of competition and the need to reduce operational costs.